

BP-16 Power Rates Workshop

A. Diurnal Flattening Service

Issue: Equity concern between Slice and Non-Slice customers.

Background

- Currently, revenue from the capacity and energy components of the Diurnal Flattening Service (DFS) are allocated (credited) to the Composite cost pool. Slice customers receive their share of these revenues.
- Slice customers are impacted, through the Slice Computer Application, by the capacity obligation that is made when BPA provides the DFS, but presently are not impacted by any energy obligations that result from providing the DFS. Thus, Slice customers are receiving the revenue for energy but are not operationally impacted by any energy impacts of RSS.
- As stated in the TRM, DFS is included in the larger suite of RSS products BPA offers and RSS Revenues are to be allocated to the Composite Cost Pool. However, the TRM is silent on energy and capacity.
- System obligations listed in the TRM include RSS, but again no mention of energy or capacity made.
- Today, this inequity is not large (roughly \$443,000; 16,763 MWh).
- The BP-14 Final Power Rates Study only addressed capacity and not energy, stating: “A credit for RSS revenue is included in the composite cost pool. The credit is for revenues earned by uses of capacity to support resources that receive RSS.” (Emphasis added.)
- The TRM specifies the Non-Slice Cost Pool includes the costs and credits of converting resource outputs into load service (e.g., Balancing Power Purchases) as well as the Tier 1 Secondary Energy Credit, which includes any costs or credits specifically attributable to BPA’s marketing of Tier 1 Secondary Energy.
- In accordance with section 2.2.3 of the TRM, BPA allocates costs of Balancing Purchases to the Non-Slice Cost Pool. BPA used this fact to justify not allocating the Resource Shaping Charge and any energy-related revenue impact associated with the Secondary Crediting Service (also considered an RSS). BPA stated that these components are essentially Balancing Power Purchases and thus should be allocated to the Non-Slice Cost Pool per the TRM.
- Staff believes the same logic used to not allocate the energy components of the Secondary Crediting Service should apply to the energy component of the DFS; i.e., the DFS energy component is akin to a Balancing Power Purchase and should be allocated to the Non-Slice Cost Pool.

Other considerations: The Slice Team is presently reviewing the treatment of Operating and Balancing Capacity Reserves and the impact on the Slice Computer Application. Specifically, the Slice Computer Application accounts for the capacity obligation but does not account for the energy impact caused by



providing these capacity reserves. The Slice customers have received the financial impacts of providing both energy and capacity to Transmission Services. This is basically the same issue but on a different service that Power Service provides.

Options moving forward:

- Leave the current allocation to the Composite Cost Pool and solve the equity issue through a change in the Slice Computer Allocation. Potentially solved through a 16,763 MWh reduction (assuming a BP-14 amount of DFS) in FCRPS inventory in the Slice Computer Application.
- Reallocate revenues from DFS Energy to the Non-Slice Cost Pool and do not adjust the Slice Computer Application.



B. Transmission Scheduling Service

Issue: The current TSS price cap structure doesn't properly collect costs from customers using multiple unspecified resources to serve their loads.

Background

- Transmission Scheduling Service (TSS) is provided by Power Services to undertake certain scheduling obligations on behalf of the customer.
- TSS is an optional service available if a customer wishes to have BPA produce the e-Tags for its non-Federal resource(s) at a BP-14 rate of 0.15 mills/kWh. The TSS is subject to a cap such that if the annual cost to the customer using the TSS rate exceeds \$990/month, then the monthly charge is capped at \$990/month.
- The cap was calculated on a transaction basis.
- A customer serving load with an unspecified resource can use multiple transactions to meet this obligation.
- BPA does not apply the benefits of a cap to its Tier 2 rates because Tier 2 rates, in theory, can be made up of multiple scheduling transactions and it would be unnecessarily complicated to try to account for multiple transactions and potentially, multiple caps, within a single Tier 2 rate.

Our solution:

- For BP-16, we are proposing to remove the price cap for unspecified resources which parallels our treatment of Tier 2 rates. We did not apply a cap for Tier 2 rates because we knew multiple schedules would be likely.



C. Load Support for a New Large Single Load (NLSL)

Issue: Customers need help meeting capacity requirements of their NLSL. Plus, concern that the New Resource (NR) Energy Shaping Service is not robust enough given uncertainty in the amount and shape of a customer's dedicated resource serving its NLSL.

Service currently provided under BP-14:

- NR Energy Shaping Service is offered to Load Following customers that need a service that shapes the energy of a dedicated resource serving a NLSL to the actual load of the NLSL.
- The capacity requirement of the NLSL must be met by the customer under the BP-14 version of the NR Energy Shaping Service.
- The service credits or debits the customer the difference between the dedicated resource amount during a monthly diurnal period and the measured NLSL load during that same monthly diurnal period (akin to the Load Shaping Charge and Resource Shaping Charge provided under the PF rate schedule).
- A True-up is applied at the end of each fiscal year to ensure that any net positive power purchased from BPA at the NR Energy Shaping rates is paid for at the applicable NR energy rate.

Possible changes for BP-16:

Capacity related:

- Customers have expressed an interest in expanding the Energy Shaping Service (ESS) to include a capacity component.
- The addition of a capacity charge would allow more flexibility in the resource shape that is applied to the NLSL. It would also ensure that BPA is adequately compensated for capacity used to serve a NLSL.
- Any projected ESS demand charge revenue would be credited to the Non-Slice Cost Pool.
- This service would be available to Load Following customers that are serving an NLSL with non-Federal resources.

Energy related:

- Rate staff is concerned about the amount of post-rate setting changes that are needed for a customer to attempt to match the size and shape of its dedicated resource to its NLSL.
- ESS rates are posted and locked down for two-years and are only a projection of the actual market price. This creates the potential arbitrage if customers can change their dedicated amounts once the actual market prices are known.
- Dedicated resources serving PF loads are locked down due to this potential arbitrage situation.



Alternatives:

- Restructure ESS energy and add capacity component. Any BPA additional energy taken in the monthly diurnal periods is at NR rate and extra energy provided to BPA is not credited. Not subject to True-up. This type of design would not be as forgiving/favorable for the customer as the current design, but it should allow for more flexibility on the contractual rules that define what a customer can do with their dedicated resource serving their NLSL.

Note: Presently customers must schedule to their Exhibit A amounts and their Exhibit A amounts can change once a quarter. This type of rate design may allow a customer to simply schedule to load and not to their Exhibit A amount, which would potentially be viewed favorably by customers.

- ESS energy component same as BP-14 but add a capacity component.
- ESS energy component same as BP-14 but with bounds around how “off” a customer can be in a particular month and add a capacity component.

Our proposal:

- Restructure ESS energy and add capacity component. Any BPA additional energy taken monthly is at NR rate and extra energy provided to BPA is not credited. Not subject to True-up.
- Fixed capacity fee with bounds around how much a customer can use. This is a Non-Slice obligation. Similar to RSS, customers are responsible to meet their capacity obligation or a UAI will be applied to their bill.



D. Resource Support for NLSL

Issue: Customers may want to serve their NLSL with non-dispatchable resources.

- BPA offers access to Resource Support Services (RSS) and related services for their variable, non-dispatchable non-Federal resources, in accordance with the CHWM contract. These services are designed to financially convert a variable, non-dispatchable resource into a flat annual block of power or specified monthly/diurnal resource shape found in Exhibit A of the customer's CHWM contract.
- RSS are presently offered under the PF rate schedule, but not under the NR rate schedule.
- Customer interest in a NR RSS has increased
- Any projected NR RSS revenue would be credited to the Composite Cost Pool.
- This service would be available to Load Following customers that are serving an NLSL with non-dispatchable non-Federal resources.
- Resource Shaping Charge and Resource Shaping Charge Adjustment will not apply to non-Federal resources serving an NLSL.

Our proposal:

- Staff would like to further test with customers the need to develop RSS for resources serving NLSL in BP-16. Staff would prefer to first develop a more robust ESS before adding additional billing complexity that results when a variable resource and RSS are also introduced.

